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PORTIONS DENIED AS INDICATED

Memorandum of Conversation

AUG 11 1970
EXCISE

DATE: August 4, 1970

SUBJECT: Libyan Posted Price Negotiations

PARTICIPANTS: [redacted] Esso
[redacted] Esso
[redacted] Esso
Philip Trezise, Assistant Secretary for Economic Affairs
James Akins, Director, Office of Fuels & Energy

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In a long conversation on general energy problems the Esso representatives were asked about current negotiations on posted prices in Libya. They said that there had been no negotiations since early July, that the Maghrabi Committee had given them no other figures than 44¢ per barrel increase in posted price and 35¢ per barrel Suez closure differential. The hints given them by Mabruk and others that the government would settle for 18¢ per barrel net increase had unfortunately not been presented to them as a clear government offer.

When the Esso officials were reminded of Arab tendencies to make dramatic announcements on anniversaries of important events, they said they were "all too aware" of this, that they thought that some action might be taken against the oil companies on September 1, the anniversary of the revolution, that they had spent the last four days discussing Libya and that George Piercy, the Middle East Coordinator, had just gone out to Libya to try to find out on the spot what the prospects were of unilateral action against the companies and what the Libyans might actually settle for. He was empowered to enter into an agreement with the Libyans if they were "reasonable".

The companies were then asked what they would do if the Libyans unilaterally decided to increase posted prices by the 79¢ per barrel in the Maghrabi formula. [redacted] They said such high prices could not be passed on to consumers and they could not "operate at a loss". They said that furthermore the Persian Gulf producers would

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demand similar increases, this would be followed by Libya demanding yet another increase to restore the higher differential between its oil and Persian Gulf oil -- "a never ending process". [redacted] the companies had to draw the line some place and it would certainly be at a price "under $3.00 a barrel posted price". B4

While discussing the possibility of general nationalization in the Arab world, the Esso officials stated that Mediterranean oil (Algeria, Libya and IPC-Iraq) could not be replaced and that if lost, there would be a major energy crisis in Europe. [redacted] B4

COMMENT

[redacted] B1

[redacted] In any case, it seems clear that the higher costs of oil from the Persian Gulf or from Libya will eventually have to be passed on to the European consumers.

COPIES TO: E - Mr. Trezise
E/ORF - Mr. Katz
E/FSE (3)
AF/N (2)
Amembassy Tripoli

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